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WAYS AND MEANS OF PROMOTING THE EXPANSION OF TRADE IN TRANSITION ECONOMIES

Report by the secretariat

ADDENDUM

PART III

Specific Measures and Conclusions

Note: With reference to its decision C (49) on promoting the expansion of trade for products from the countries in transition in international markets, the Commission at its forty-ninth session requested the Executive Secretary, in consultation with member States of the ECE, to prepare a study containing recommendations on ways and means of promoting the expansion of trade of the countries in transition.

The secretariat has therefore prepared the following study entitled "Ways and Means of Promoting the Expansion of Trade in Transition Economies" in three parts: part I "Executive Summary and Recommendations" (E/ECE/1311); part II "Diagnosis of the Problem" (E/ECE/1311/Add. 1); and part III "Specific Measures and Conclusions" (E/ECE/1311/Add.2).

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TABLE OF CONTENTS

PART I
(E/ECE/1311) paragraphs

A. EXECUTIVE SUMMARY . . . . . 1 - 12

B. RECOMMENDATIONS AND PROPOSALS FOR A COORDINATED REGIONAL ACTION PROGRAMME . . . . . 13 - 42

PART II
Diagnosis of the Problems
(E/ECE/1311/Add.1)

C. INTRODUCTION . . . . . 1 - 7

D. IMPORTANCE AND STRUCTURE OF THE TRADE OF TRANSITION ECONOMIES 8 - 17

E. MAIN FACTORS AFFECTING THE TRADING COMPETITIVENESS OF TRANSITION ECONOMIES

1. Competitiveness: The Role of Industrial Strategy and Support . . . . . 18 - 43

2. Macroeconomic stabilization and structural reforms . . . 44 - 49

3. Internal barriers to export development and enterprise competitiveness . . . . . 50 - 62

4. Access to markets

(a) The Uruguay Round as a framework for market access . 63 - 71

(b) Access to western markets . . . . . 72 - 89

(c) Access to eastern markets . . . . . 90 - 93

5. Relative importance of external and internal barriers in the trade of transition economies . . . . . 94 - 107

PART III
Specific Measures and Conclusions
(E/ECE/1311/Add.2)

F. SPECIFIC MEASURES TO FACILITATE TRADE

1. Institutional measures . . . . . 1 - 5

2. International trade standards . . . . . 6 - 24

3. Foreign direct investment . . . . . 25 - 53

4. Improvements of settlement of payments and financing mutual trade . . 54 - 72

G. CONCLUSIONS . . . . . 73 - 89

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WAYS AND MEANS OF PROMOTING THE EXPANSION OF TRADE IN TRANSITION ECONOMIES

PART III

SPECIFIC MEASURES AND CONCLUSIONS

F. SPECIFIC MEASURES TO FACILITATE TRADE

1. Institutional measures

1. Effective national trade promotion and development institutions and services are essential to support a national trade expansion programme, and ensure the pursuance of trade policies through appropriate strategies and operations. Many transition economies have established, or are in the process of establishing, the necessary institutions. 1/

2. The elements of an effective institutional infrastructure can be categorized into four main groups:

(a) Sector specific, for example institutions/organizations representing producers of agro-based or manufactured products;

(b) Function specific, for example for services in export finance (whether for term loans, working capital or credit guarantees and insurance), packaging, quality assurance, management education, Customs administration (import/export and duty drawback facilitation), etc.;

(c) National/regional associations such as chambers of commerce and industry, bilateral chambers, etc.; and, finally,

(d) A trade promotion and development organization, with overall responsibility for:

- advice to the national authorities on the design and pursuance of the most appropriate trade policies and programmes, and the provision of necessary services, whether from Government, public sector or private sources, and ensuring they are kept informed of the standards required by the exporting community to compete internationally;

- provision of direct assistance to exporters, and potential exporters in trade promotion and development: this includes within-country activities in, for example, trade information, product and market advice, etc. and a wide range of promotional services through foreign-based offices, trade fairs and missions, etc. linked to active market development efforts;

- ensuring an effective coordination and partnership between the facilities and services provided by the other groups comprising the national trade services infrastructure, to avoid duplication and waste of effort and resources.

3. Countries with successful export performances all have efficient trade promotion and development institutions, which perform these functions. They

essentially serve as a catalyst to ensure that the exporting community are provided with the most efficient and effective international standard trade services and facilities, with assured access to reliable information about market trends and consumer requirements.

4. While there are a variety of institutional structures, all the successful trade promotion and development institutions have the following features in common:

(a) They are in the public sector but outside the civil service: this facilitates development assistance, both with, for example, small- and medium-sized enterprises which have particular and sometimes long-term development requirements, and facilitates liaison with other institutions within Government, and in the public and private sectors.

(b) The institutions are led by a Board of Directors composed of senior Government officials (from the production ministries), the finance sector and, often a majority of private sector exporters, selected because of their individual export expertise and willingness to serve in a national capacity, and from different export sectors of the economy.

(c) There is autonomy in direction, management and operations: this includes authority to follow private sector practises in respect of recruitment and remuneration of staff, and in the design and implementation of the institution's work programme.

(d) The institutions have a clearly defined status and responsibility in respect of supporting the national trade development programme, and an agreed relationship with the other institutions concerned with the sector: there is often formal endorsement of the position of the institution by the most senior Government authorities, an important factor in facilitating its coordination role.

(e) The institutions receive their funding from the Government, but are encouraged to seek cost reimbursement for certain services, primarily of a downstream trade promotion and market assistance nature: the institutions seek to avoid duplication with other bodies which provide services and facilities.

(f) The institutions have displayed a flexible approach to their development and have evolved over time to respond to the changing needs of exporters and the requirements of international markets: overall the institutions have sought to provide the export community with services of an international standard, and comparable to those provided to competitors from other countries in major markets.

5. Thus, policy decisions on the status, structure and operations of a national trade promotion and development institution require a very careful analysis of the options, so that the most appropriate institutional arrangements are decided and mistakes, which could make the institution ineffective and a disservice to the exporting community, are avoided.

BOX 1
THE ACTIVITIES OF A WESTERN TRADE PROMOTION ORGANIZATION

A typical western trade promotion organization (TPO) tries to facilitate trading activities between domestic enterprises and the rest of the world. The Swiss TPO (Office Suisse d'Expansion Commerciale, OSEC), performs four main tasks:

- provides foreign economic agents with information on the national exporting economy;
- provides national economic agents with information and advice on foreign markets;
- links business partners and provides information on business possibilities;
- organizes promotion activities and participates in trade-related events (e.g. international fairs);
- assists with many other export-related services.

More than 2,000 Swiss enterprises are members of OSEC, which has three regional offices - one per linguistic area. It works closely with various economic organizations, with the Swiss Government, and with the Swiss representations abroad (embassies, chambers of commerce, etc.). Most of OSEC's services are paid for by the requesting companies, but some basic information services are offered free of charge.

2. International trade standards

6. Standards play a vital role in expanding international trade. The UN/ECE has led the way in establishing international trade standards which provide exporters with objective, reliable information on the requirements for gaining access to international markets. A single international standard, rather than a plethora of national ones, allows exporters to benefit from scale efficiencies. They also reduce the costs for exporters who otherwise would have to travel to their export markets to gain the necessary information and thereby maximize their export opportunities. Internationally agreed standards make for harmonization and predictability, and create a permissive environment for trade rather than a protectionist one. In contrast to international standards, purely national standards can have the opposite effects. The sheer diversity of standards means that some countries exclude themselves from export markets because companies simply do not find it economical to make the necessary adaptations. It is this area of frustration which has required the European Community, for example, to harmonize standards throughout the Single European Market, in order to eliminate barriers to trade.

7. Standardization activities were well developed in the planned economy countries of the ECE region. Harmonization of national standards took place at the Council for Mutual Economic Assistance (CMEA) level, and CMEA standards

were mandatory technical regulations in trade between those countries. The standards bodies of the CMEA countries were active participants in international standards work in organizations, including the UN/ECE, the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). Verification of conformity with standards was facilitated by the fact that most industrial production took place in large units and by the considerable legal authority vested in State inspectors.

8. The economic reforms resulted in a decentralization of production from large conglomerates into smaller units and sometimes in the emergence of new production, making verifications of conformity much harder at the national level. At the same time, the national standards bodies in most of the formerly planned economy countries were hard hit by budgetary restraints making it more difficult for them to retain qualified staff and, even more importantly, to participate as before in international standards work.

9. As the transition economies increasingly reorient their foreign trade towards western Europe, the regional standards work carried out in organizations, such as the Comité Européen de Normalisation (CEN) and the Comité Européen de Normalisation Electronique (CENELEC) with financial backing from EU and EFTA countries, takes on increasing importance for potential exporters in central and east Europe. Although some of the transition economies are affiliated members and can participate in the technical work of both CEN and CENELEC, they are not allowed to vote. This has prompted the most advanced of them, such as the Czech Republic, to request full membership. This would require statutory changes since at present only EU and EFTA countries can enjoy full membership.

10. One of the most important tasks of any national standards body is to provide industry with reliable and timely information about standards and technical regulations applied at the international, regional and national levels. This presupposes the existence of relatively large reference libraries and the means to disseminate this information within the country. Perhaps as many as 20,000 standards should be easily available within each such reference library and others ordered on specific request. The international and regional standards organizations have well-functioning distribution services but the cost of a given standard, which can be as much as US$ 500, may deter small- and medium-sized companies from acquiring their own copies. The Newly Independent States have difficulties in creating their own standards reference libraries. Many of them will need technical and financial assistance to do so.

11. Most standards require periodic revision. Several factors combine to render a standard out to date: technological evolution, new methods and materials, new quality and safety requirements. To take account of these factors, ISO has established the general rule that all ISO standards should be revised at intervals of not more than five years. This means that roughly 2,000 ISO standards are subject to review and possibly change every year. A highly industrialized European country may wish to make an input into half of these revisions and must be fully informed about other changes in order to keep abreas of new technology.

12. From a trade point of view the most important aspects of standardization policies relate to conformity assessment, i.e. testing and certification.

Even for countries with well functioning standardization and metrological services, it is necessary to gain the confidence of foreign customers and authorities in the competence and integrity of the national testing and certification bodies. Only when such confidence has been created is it possible to envisage mutual recognition agreements and avoid very costly double testing. With this in mind the ECE Working Party on Standardization Policies has concentrated much of its assistance to transition economies on the question of conformity assessment and metrology in testing. There is continuing demand for workshops on the subject and hands-on training in metrology.

13. To sum up, the transition economies in general have the basic structures of national standards certification and metrology services in place. Their ability to cooperate effectively with the international and regional bodies concerned is, however, severely hampered by financial constraints, notably the shortage of foreign currency. It may be noted in this connection that west European standards bodies normally devote at least two thirds of their activities to regional and international work. One way for standards bodies in transition economies to earn the foreign currency necessary for their international and regional activities is by creating new mandatory certification requirements for imported products. In some cases, this may be justified to protect consumers from substandard products. However, international trade law and good practice (WTO and UN/ECE recommendations) require that imported goods be treated no less favourably than domestic goods. It will therefore be necessary to extend any such certification regulations also to domestic goods and to apply them only to cases where it is clearly warranted on grounds of public health and safety or environmental protection.

14. Over a period of years, national standards bodies in transition economies may be expected to sell their standards, certification and metrology services to producers and traders. There is a clear tendency in western countries for Government contributions to this kind of work to decrease and to be more clearly earmarked for activities which are in the public interest rather than in the interest of any local producers. However, for transition economies it will be necessary to maintain a relatively high degree of public financing of standardization and metrology activities until such services have developed closer working relations with the restructured industrial and trade partners.

(a) Role of commercial quality standards in agricultural products

15. Commercial quality standards facilitate trade in perishable products between producing and importing countries as they provide essential information. The standards establish a trading language of recognized levels of quality ("Extra", class I, class II, class A, etc.), size categories, packaging, presentation and labelling requirements intended to reflect current marketing practices. As such, the standards have the recognized potential to open trade doors in foreign markets. In considering the role of ECE commercial standards, the highly competitive nature of the western markets must be taken into account as perishable food items not only compete against their "own kind" (apple against apple), they also must compete against a wide range of other fresh fruit such as pears, plums and peaches, for example, as well as exotic items such as mangoes, papaya and kiwi.

16. The present situation in most countries of east and central Europe includes a lack of certification and conformity infrastructure matching west

European practices, and a lack of harmonization of national standards with existing international norms such as those elaborated by the ECE. The standards clearly prohibit lower levels of quality entering the market place and they introduce size classifications which exclude smaller sized fruit and vegetables. This serves to encourage producers to improve their production practices to meet the higher quality demanded in the market. Given the highly competitive nature of the market, the perishable nature of these products and the strong influence of consumers in western markets, quality factors should not be seen as barriers to trade.

17. Market forces, in particular the influence of consumer buying habits, introduce a dilemma in the field of commercial standardization, the intent of which is to elaborate quality standards reflecting actual trade practices. In an industry driven by consumer demand in a dominant market such as western Europe, to lower quality standards for certain items in order to meet the initially lower quality of similar food items in east and central Europe directly impacts the role of commercial standards. As an example, lowering the minimum level of commercial quality for apples in order to accept greater quantities of those grown in CIS countries in western markets would result in apples of a visibly lower quality entering into competition with much high quality fruit, including other apples, from western Europe, New Zealand, the United States and Chile. As consumers readily judge quality for themselves in the case of fresh fruit and vegetables, experience has shown that such decisions repeatedly act against lower quality.

(b) UN/EDIFACT, Trade Facilitation and Transition Economies

18. UN/EDIFACT is the international standard for electronic data interchange (EDI). The acronym stands for United Nations/Electronic Data Interchange for Administration, Commerce and Transport. EDI is a technology for computer-to-computer communication of structured messages, such as purchase orders, invoices and Customs declarations. It endeavours to increase productivity, reduce costs and minimize error by eliminating unnecessary paper and manual intervention in business transactions. UN/EDIFACT provides the rules for EDI on a global basis.

19. There are several factors to be considered before transition economies can benefit from using EDI and UN/EDIFACT in international trade. Telecommunication infrastructure is typically the first consideration for the electronic exchange of information, though this might be overcome by the physical exchange of diskettes or other electronic media. There are more important requirements than telecommunications, however. The first is understanding international trade procedures and documentation; the second is well-established international trading relationships.

20. As new enterprises and Government administrations in transition economies begin to automate their work, they should structure their information systems and databases according to UN/EDIFACT rules and data definitions. Such a step would greatly simplify future adoption of EDI, but it will not happen if those responsible for this work in companies and Government are unaware that such international standards exist.

21. In order to be integrated into the international trade system, transition economies must recognize the importance of improving the quality of their manufacturing processes. Even if they cannot yet afford to invest in state of

the art equipment and machinery, countries can improve their competitive position by adopting international norms of quality assurance, such as the ISO 9000 standards, and advanced trade facilitation techniques.

22. These techniques, including EDI, are concerned with improving the quality of the administrative processes that support trade transactions. A transition economy may not be ready for EDI: it may not yet have an advanced telecommunications network, its enterprises may not have sufficient computer technology. But other trade facilitation techniques can still be applied immediately to improve Government and commercial procedures. Trade facilitation is more than a technical exercise, it is a strategy for improving a country's ability to trade. UN/EDIFACT provides an internationally accepted set of rules which ensure that this strategy will be compatible with current and future trading partners worldwide.

(c) UNCTAD: The Special Programme for Trade Efficiency

23. Many of the transition economies participated in the World Trade Efficiency Summit in the USA in 1994. They helped to define the UNCTAD-led Special Programme for Trade Efficiency and the associated Trade Points programme.

24. Trade Points are intended to be enterprise-focused, and are designed to combine trade facilitation, trade-related information, and a gateway to global networking. They presuppose the use of information technology in trade transactions. Trade Points are in the process of being established throughout the transition economies and will have substantial potential to assist exporters to penetrate global markets.

3. Foreign direct investment

25. One of the problems holding back trade amongst the transition economies has been the relative lack of intraregional investment and enterprise cooperation. In spite of the impressive speed with which virtually all Governments in the region have opened their economies, their success in attracting FDI, with a few exceptions, has been disappointing. However, in those few transition economies which have had the most success in attracting FDI, the contribution of the latter to trade has already been quite positive. The most salient recent trends in FDI to the region are as follows:

26. The number of foreign investment enterprises in the region has increased dramatically. By the end of the first half of 1994, 111.3 thousand companies with foreign participation had been established in the ex-CMEA region. This represents an almost two-fold increase from the beginning of 1993 (68,903) and a nearly eight-fold increase from the beginning of 1991 (15,000).

27. Measured by value, the size of foreign involvement in the transition economies is much less. By the end of the first half of 1994, the total value of these foreign investments was estimated to be approximately just over US$ 20 billion (20.9). Moreover, the bulk of this investment has been concentrated in a few countries: first in Hungary (almost fifty per cent of the total), then Poland, the Czech Republic and Slovenia. In comparative terms the size of this cumulative investment to the whole region (i.e. over four years) is of the same order as a middle-ranking west European country.

28. Particular problems are faced by the small transition economies; both in the size of investment and in the number of projects they have been able to attract. Small CIS States have fared badly; Baltic States did slightly better although Latvia still managed to attract only 0.1 per cent of the total value of foreign investment to the region.

29. Overall, manufacturing and services have been the main targets. In the Baltic States, the service sector, trade and industrial services have been more attractive to outside investors, while in Russia, over 60 per cent of total FDI has been in manufacturing.

30. The contribution of FDI to the trade of host economies has not been negligible, although this prominence is probably due to the decline in the exports of domestic enterprises rather than as yet any major propensity to export of the foreign subsidiaries in the region. For example, in the CIS during 1991-1993, the value of foreign investment-related exports (which exclude the intra-CIS transactions) grew almost five-fold and amounted to US$ 3.7 billion in 1993. At the same time, the overall CIS exports of the Commonwealth stagnated. At current prices, they increased by 12 per cent in 1992 and then tumbled by 3 per cent the next year. As a result, over 1991-1993, the foreign share of overall exports grew from 1.8 per cent in 1991 to 8.2 per cent in 1993.

31. On the other hand, in 1993, the share of foreign subsidiaries in total exports in Hungary - which accounts for over half of all the foreign capital invested in transition economies - was almost 50 per cent. Between 1991-1992 in individual branches, foreign firms exported 70, 60 and 47 per cent in non-metallic products, machinery and equipment and textiles, wearing apparel and leather, respectively. 2/ Outside Hungary, however, in the other transition economies the contribution of FDI to trade has been less noticeable. In terms of total exports, the share of foreign subsidiaries was 18 per cent in Poland, and 16 per cent in Slovenia, while in the CIS countries the share was 8-10 per cent (excluding intra-CIS trade).

32. The main home countries of foreign investors come from the developed market economies of western Europe. As a consolidated investor, this region accounts for 60-70 per cent of foreign investment in most transition economies. The United States and Germany have become the two single-most important investor countries, each accounting for between 7-20 per cent of total cumulative FDI in many economies of the region. Recently the weight of intraregional foreign investment among transition economies has tended to grow primarily in terms of the number of enterprises. At the beginning of 1994, the share of foreign partners from transition economies was the most important in Belarus and Ukraine (47 and 51 per cent of total numbers, respectively). In terms of capital they accounted for 19 per cent of FDI stock in Lithuania and 14 per cent in Latvia.

33. In summary, while the number of foreign investment enterprises is impressive, when measured by value the magnitude remains insufficient to have a significant impact on trade and economic restructuring, particularly amongst the small transition economies. Some countries whose enterprises are in the forefront of FDI activities like Japan, are still very poorly represented in the region, which suggests a serious lack of information about opportunities. The orientation of FDI, particularly in economies with little FDI, is predominantly in services, i.e. selling to the local market rather than on

production for exports. There has, however, been a growth in intraregional investment although its size by value and number remains rather small.

34. In greater volumes FDI could play a substantial role in boosting the trade of transition economies. FDI offers a number of tangible and intangible assets to host economies which mobilize their own factors into trading activity. Chief amongst the tangible assets which foreign companies provide are investment capital (they have far easier access to international capital markets than domestic enterprises) and technology. These can contribute to raising the skill and productivity level of the foreign subsidiary to international standards, and thereby make its output internationally competitive. Amongst the intangible assets which foreign firms provide host countries are: a knowledge of markets (derived from these firms' international networks of affiliates); a registered trade mark or a brand-name; marketing know-how; and management skills.

35. It should not be forgotten that indirectly too, investments by foreign companies, particularly in infrastructure like transport and telecommunications, can facilitate the trading potential of the country as a whole while western companies' involvement in non-equity links with companies, particularly sub-contracting, has positive effects on exports.

36. This package of capital, technology, and management skills is particularly needed by enterprises in transition economies. While FDI is only one amongst a number of forms of enterprise cooperation, e.g. licensing, portfolio investment, technical agreements, franchising, etc. it is the only form which transfers all these resources in a single package. All other forms transmit these resources independently.

(a) Importance of attracting the right type of investment

37. While FDI can act as a catalyst for trade promotion and the restructuring of an economy's productive base, the process is, however, not automatic. Beneficial trade effects do not occur simply by a country attracting large FDI flows. In fact, there are several potential problems to which FDI can give rise. These include the possibility that such ventures serve only the home market rather than contributing to exports; that they may threaten the growth of small indigenous firms and lead to monopolistic markets, and may not develop local R & D capabilities.

38. It should be recalled that the flow of FDI in Latin America in the 1970s (behind high tariff walls and protected domestic markets) did not raise output, productivity or exports. In these and other developing countries, complaints were often raised that foreign firms exported too little and imported too much. Indeed, some complaints have been raised in transition economies that the economic contribution of FDI has not been as great as was expected, 3/ while the protection of domestic markets which large western companies in specific oligopolistic industries - cars, telecommunications, tobacco, etc. - have demanded and obtained from Government can distort trade and have negative effects on enterprise restructuring.

39. FDI, it should be noted, has different effects on trade depending on the strategy of the investing enterprise. Essentially, companies invest in a foreign country to: (i) manufacture a good or sell a service to the local market; (ii) to establish a production base for export; and (iii) to extract

natural resources. Market-seeking FDI, tends to have an import-substituting effect. Factor-seeking FDI (particularly but not exclusively, low cost labour) tends to have pro-trade production and consumption effects as production of exports and consumption of imports are expanded. Resource extraction FDI, can have a pro-trade effect if increases of exports are greater than imports.

40. All these types of FDI can create advantages for a host economy, but the second and third types of FDI, from the point of view of expanding the exports of transition economies, can have the best effects for transition economies.

41. However, according to all the surveys of foreign investors, the market seeking-strategy, rather than the other two strategies, appears to be the predominant reason for FDI in central and east Europe. 4/ Several reasons might be adduced to explain this behaviour. First, the high risks of entering these new markets has made companies prefer the safer option of selling domestically than the far harder and riskier option of producing for export. Secondly, FDI has gone into many countries as a result of privatization. Western companies in consumer goods and in some producer goods, for example, have acquired domestic companies with local brands and stable and very large customer bases. They have used these companies to expand the range of brands offered to local customers and to sell their own products. Privatization has reinforced thus the predominantly domestic focus of these enterprises. 5/

42. This "market-seeking" strategy tends to have an import-substituting effect on trade even though the taking over of domestic assets by the foreign company in order to expand its market share, does not preclude the company from selling a part of its production abroad. 6/ Even so, the domestic orientation of the firm will inevitably mean that the export market remains low in the list of priorities.

(b) The importance of FDI in trade restructuring

43. As noted above, restoring the loss of their export potential in higher valued products should be a primary objective of transition economies. To this end, given the advantages of transition economies in certain factor endowments, three product areas can be identified in which FDI can make a contribution to trade and trade restructuring in transition economies:

(i) manufactured goods in medium- and high-technology industries;
(ii) agricultural products;
(iii) raw materials.

(i) Manufactured goods in medium and high technology industries

44. While many expected large western firms to be attracted to the region to exploit low factor costs, particularly of labour, the evidence, as seen from the surveys, suggests otherwise. Cheap labour is not, and will not become a sufficient attraction for western companies to invest the large sums of capital transition economies need. By its nature, it is a fleeting advantage; it will tend to erode as economies grow. Consequently, big western companies do not sink large amounts of capital into plant and equipment only for this reason. In the technology intensive sectors moreover, where large western firms dominate, its importance is exaggerated. Other factors which transition economies possess, skilled labour and basic technologies, are however, a different matter. Here there is far greater scope for western companies to

improve the structure of trade of those larger transition economies with manufacturing and technological capabilities. This will be achieved less by the creation of new technologies and completely new production processes established by these companies in the region, but rather by the upgrading of existing local technological capabilities. 7/

BOX 2

STRENGTHS AND WEAKNESSES OF TECHNOLOGY IN TRANSITION ECONOMIES

Transition economies possess capabilities in many technologies:

- computer software;
- aerospace engines;
- space technology;
- medical equipment technology;
- non-ferrous metal processing and mineral exploration equipment.

On the other hand, the technology of transition economies suffers from a number of weaknesses which impairs their ability to translate these capabilities into international marketable products. These weaknesses concern:

- inferior products (because technology was often not allied to production the products were usually far inferior to the technology);
- no facilities or no conception to enter into mass production;
- little understanding of the concept of production cost;
- inadequate funding: companies tend to be large-scale and dependent on the State budget for their finances;
- inadequate awareness of the environmental considerations which are in the west forging new products at a rapid pace.

Source: Various ind. Technology News; Military Technology; Aerospace Magazine.

45. Western partners are in a good position to take advantage of the technological capabilities shown in Box 2 and at the same time rectify shortcomings and weaknesses. Already in central European countries the first signs of this east-west cooperation is bearing tangible fruits for the host economies. In Poland, Asea Brown Boveri (ABB), the Swedish-Swiss electrical engineering company, following its takeover of several local companies, has been building on the existing technology of these enterprises, upgrading their production techniques and locating the manufacture of certain of its products for its European markets in Poland. ABB now has begun producing for the first time in Poland gas powered generators, which because of their environmental benefits over coal fired generators are much in demand in world markets. In Hungary, General Electric of the US, having acquired Tungsram, the light bulb

manufacturer, now produces energy-saving lights for its world-wide markets in Hungary - a product for which it had formerly no technology and which is also much in demand because of its environmental benefits. In the automobile industry, substantial investments have been made by western car companies creating an industrial capability which did not exist prior to the systemic changes in Hungary.

(ii) Agricultural products

46. In small agricultural-based, transition economies, FDI has a role to play in processing and upgrading the qualities of products, particularly in the areas of packaging, bottling, canning and labelling. In several transition economies, western companies have established plants to process local fruit into juices for western markets.

(iii) Raw materials

47. The abundance of non-renewable raw materials such as oil and gas at low cost is highly attractive to western companies who can assist in the transport and infrastructural development to get these products to western markets. In the oil sector the value of deals concluded is still rather small; larger ones are still under negotiation. The few projects which have begun operations trade in oil rather than produce it. Ideally, the value in the trade of raw materials would be enhanced if foreign companies helped in the processing of the material before its export.

48. Although it is still early to see substantial industrial and trade restructuring arising from FDI, there is still evidence from individual cases of large company investment of the upgrading of the structure of exports. In this respect FDI can play an important role in assisting the transition economies in improving the commodity structure of exports and shifting towards more sophisticated, higher-value added categories of exports. It can thus assist transition economies in halting or reversing the trend identified above of a shift in the commodity structure of their trade to relatively less-processed goods.

(c) Need for appropriate measures to attract trade-enhancing investment

49. A package of measures is required to attract export-enhancing investment:

(i) Basic principles

50. Many of the transition economies are small economies which are handicapped in attracting FDI by the lack of a big domestic market. They will thus have to develop a most hospitable FDI environment even more so than larger neighbouring countries, and at the same time rely on their comparative advantages to attract export-oriented FDI. As a corollary, they will have to adopt an outward-oriented trade policy, that strongly encourages exports. Without such a policy, these countries will shut themselves out of the bulk of potential FDI flows.

(ii) Eradication of weaknesses

51. Policy makers must try and eradicate existing weaknesses in their legislation and regulations dealing with foreign investors:

- use of protectionism to attract FDI; while protectionist policies - use of import tariffs, exclusive seller arrangements, etc. - attracts foreign direct investment (in Poland FDI-intensive industries have average tariffs on imports that are 66 per cent higher than in manufacturing as a whole), 8/ protected firms have no incentive to export. Such measures should thus be used, if at all, selectively and with a clear timetable for their elimination. 9/

- frequent changes to the legislative and fiscal environment, for instance, the uncertainty caused by frequent changes in Government policies and regulations and reflecting often the non-systemized and piecemeal approach to legislative development, is perceived to be a major problem and deterrent to investment in central and eastern Europe. In some countries, particularly amongst the Newly Independent States, inflows of FDI cannot be expected until the necessary legislation has been developed.

- slowness in implementing privatization; the countries of the region which have been the most successful in attracting FDI have been the ones which have made the most progress in privatization.

- land laws and inadequate protection of property rights directly impede export-oriented investments. Direct ownership of land by foreigners is not permitted in the transition economies or is made difficult by inadequate or non-existent land registration systems. Securing property rights, the development of collateral laws and institutions that support the financing of foreign businesses should be a priority for countries in the region.

- bureaucratic inflexibility. While some countries may have waived formal approval procedures for foreign companies, there are at the local level numerous time-consuming hurdles, e.g. local planning permission that must be obtained before production is permitted. In addition, petty rules and regulations still exist which can affect the unsuspecting foreign investor. 10/

- Customs complications; speedy and easy repayment of Customs duties is required if firms are to be encouraged to import goods for processing for export; 11/

- insufficient incentives; targeted incentives should be provided for companies that export. 12/

(iii) Development of an investment promotion capability

52. Aside from eradicating these and other weaknesses, policy makers will have to devise a strategy of FDI promotion. This strategy should consist of the following elements:

- facilitation and service activities aimed at assisting potential investors into operation, e.g. providing potential investors with a range of information services; ensuring that all permits and approvals are provided quickly, etc.;

- investment promotion and generation activities aimed at identifying and encouraging more potential investors, e.g. targeting sectors and even companies as recipients of FDI and countries and investors as sources of FDI;

- image building activities aimed at enhancing the image of the country among potential investors; 13/

- strategies to promote FDI from the small- and medium-sized enterprise (SME) business sector. SMEs as a rule compete more on cost and price and are thus more interested in establishing production units using low factor cost, particularly of labour, in transition economies and to export back to their home markets. 14/

(iv) Institution and staffing

53. A revamped institution to deliver these services and develop a strategy for FDI promotion is required. It is inadvisable for Governments to diffuse FDI promotion and regulatory activities to a large number of agencies. Ideally, authority should be given to a single coordinating agency. Research shows that foreign investors prefer to deal with a strong central agency - like the Economic Development Board of Singapore. As with this latter agency, Governments might also consider introducing performance-related pay systems to encourage employees in seeking to attract FDI in their respective countries.

4. Improvements in the settlement of payments and financing mutual trade

(a) Deficiencies in Trade Finance

(i) Situation and problems

54. Within the CIS, payments and trade financing constitute a major obstacle impeding the development of trade. In spite of considerable progress made in strengthening national currencies and central bank policies, national currencies are still largely non-convertible, foreign exchange reserves remain small, and exchange controls tight. As a result, there are problems affecting mutual trade and services transactions in particular, causing substantial delays in payments, a high risk of non-payment and high transaction costs. Export credit insurance is generally not available for CIS companies. The most frequent methods of payment are letters of credit and cash in advance, which are both expensive. At the macroeconomic level, the inconvertibility of the new national currencies, combined with the lack of hard currency, has led to the development of bilateral barter trade. Only bilateral clearing is possible between commercial banks of CIS countries which have concluded specific agreements. The structural trade imbalances the Newly Independent States (NIS) inherited from the Soviet era cause acute problems.

55. In the central and east European countries, full current account convertibility was achieved everywhere except in Albania and in Bulgaria. However, the institutional conditions for an efficient payments system are far from optimal, and the banking sector in particular is not yet able to fulfil the payment and trade financing tasks it performs in the west. One of the main problems arising in this respect is that the central and east European countries' banks are often crippled with bad loans. Indeed many central and east European banks have a few large borrowers on their books who will never

be able to repay their debts. The loss of confidence in bank solvency has thus contributed to worsen the payments and trade financing problems. Virtually all payment arrangements now take the form of confirmed or unconfirmed letters of credit and some countries are not eligible for export credit insurance.

(ii) Options and actions

a. Newly Independent States

56. Since the rouble zone does not exist any more, the NIS are left with few alternatives to improve the situation. A few options have been discussed including the creation of (i) a rouble area; (ii) a multilateral clearing system; and (iii) a payments union. 15/ It must be stressed that the three options can go in parallel with moving towards greater convertibility.

i. Creation of a rouble area

57. In a rouble area the Russian rouble would serve as a currency peg, so it would not alter the newly acquired monetary independencies. As was the case within the sterling area, a group of countries with different currencies would continue to use the former leading currency for international purposes, even after establishing monetary independence. The main drawback to this solution is that the rouble is not yet a stable currency, which would be an important pre-condition for such an arrangement to work.

ii. Creation of a multilateral clearing system

58. A multilateral clearing system would economize on the use of hard currency by permitting transactions at the enterprise level to be conducted in national currencies. The regional clearing centre would convert all transactions into a common unit of account (the ECU for instance), calculate periodically the net balances between partner banks and establish at the end of the settlement period the multilateral net debit balances arising from all the transactions during the period. Only at the end of that period would central banks settle their net debit balances by transfers in convertible currency to the net creditor banks. Such a system would allow NIS to save hard currency since only the net imbalances would have to be cleared in convertible currency. As most of the NIS trade is intra-CIS, this saving of reserves would in turn help the NIS moving towards convertibility.

iii. Creation of a payments union

59. The creation of a payments union would go one step further than a multilateral clearing system, as intra-CIS imbalances could be cleared through credits instead of transfers of convertible currency. The need for hard currency is therefore lower in a payments union than in a clearing system.

60. The final option, while at first appealing, suffers from some drawbacks. First, the existence of high inflation is an important barrier for the implementation of any of these latter two solutions, since the adoption of the national currencies' exchange rates with the common unit of account would be very difficult. Therefore, achieving a greater degree of macroeconomic stabilisation should be the primary objective of the NIS regarding the payments issue. In addition, the structural trade imbalances would also constitute an important obstacle since they would generate a rapid exhaustion

of the structural deficit countries' reserves. A possible solution would be the initial and temporary exclusion from the clearing system of the commodities generating the structural imbalances. 16/

61. These drawbacks notwithstanding, the CIS authorities have continued to investigate the creation of a payments union. On 21 October 1994, a regional economic union agreement was agreed upon by the CIS heads of States, which provides among other things for the establishment of a payments union. However the signed documents only constitute a framework agreement, with no calendar or binding provisions. Because of the above-mentioned problems, the rapid implementation of such a project seems rather optimistic.

b. Central and East European Countries

62. The central and east European countries have to improve the situation of the banking and financial sector and move towards greater convertibility. The main issues are thus to improve the legal environment for financial institutions, to carry on with tight macroeconomic policies in order to keep inflation under control, and to try to channel the international assistance to the sectors where it can be used most efficiently.

63. In 1994, the situation in the financial sector prompted a group of central and east European banks, including one from Russia, to establish a multilateral clearing system based on Ecu settlements. To fund trade-related payments, the central and east European banks will maintain accounts in convertible currency with their five western clearing partners. These will be drawn on by the clearing bank following the paying bank's instructions. This system should accelerate actual payments and contribute to the restoration of mutual trust between central and east European trading partners.

64. International assistance directed at improving the financial sector already comes mainly from the EU. Furthermore, the European Council decided in December 1994 in Essen that the EU would launch a new initiative to facilitate trade in the region, with a view to contributing to the realisation of the Pact for Stability. This initiative will include, among other things, some technical assistance for the development of export insurance and guarantee schemes, possibly in association with the EBRD.

c. Trade finance

65. Trade financing continues to be either difficult or impossible in most transition economies. Only in a very few east European countries can domestic banks offer guarantees which are acceptable to western banks.

66. **Risk** is the principal source of transaction costs in trade finance. Its main sources are the weakness of firms and financial institutions and country risk (caused by the unpredictability of political, macroeconomic and regulatory conditions). These risks are real. Markets legitimately force a greater share of the responsibility for financing trade on risky countries, and on the weak exporting or importing firms within them. Local banks are reluctant to lend to or underwrite risk on many firms, and foreign correspondent banks display the same reluctance vis-à-vis those local banks. Since risk is a function of exposure and duration, trade finance is correctly biased towards short maturities (in the extreme, cash or even cashless barter operations in many countries of the CIS), and against larger transactions.

67. However, the economic consequences of risk are magnified in many of the countries of the former Soviet Union by the markets' inability to measure and manage risk. Risk assessment and mitigation is hampered by information deficiencies, incomplete legal frameworks and a lack of insurance. The information "institutions" (and related skills) that support credit markets elsewhere are largely missing. Local banks often cannot assess the risk of local firms. Correspondent banking relationships are hampered by a lack of track record (of both institutions and countries), the most common source of credit information. Legislation on secured transactions is often not sufficiently developed to allow the use of collateral other than cash deposits. The development of (export) credit insurance policies, which often substitute for other collateral in market economies, is embryonic at best. Among other problems, it is stifled by the shallowness of financial markets that renders the effective pooling of risks very difficult.

68. For certain import transactions in certain countries, insurance is available from foreign export credit agencies; however, coverage is still patchy and does not genuinely allow for market-based decision-making by former Soviet Union firms because of restrictions on sourcing. The limited coverage available is generally restricted to short term transactions and to operations that benefit from sovereign guarantees or that are conducted with institutions that are believed to represent quasi-sovereign risk.

69. Apart from reinforcing the short-term bias of trade finance, these problems prevent risk from being priced, resulting in the rationing of credit at both the internal (bank-firm) and external levels (bank-foreign correspondent). Even though the underlying transaction may be sound, local banks often demand full cash collateral for issuing letters of credit or payment and performance bonds. This is not always caused by a shortage of liquidity. Foreign banks impose the same conditions for confirming instruments issued by former Soviet Union banks, as well as for effecting payment services.

70. Conditions for financing trade have become worse since the 1980s. In short-term trade, for London-based banks, confirmed letters of credit or cash-in-advance are now recommended for trade with the majority of transition economies while unconfirmed letters of credit were the norm in the mid-1980s. However, for seven countries (most in the CIS), confirmation by western banks is generally unavailable; for 10 others full cash collateral together with a maximum 12 per cent confirmation fee was recommended in mid-1994. Commercial medium- to long-term refinancing is practically unavailable to former Soviet Union countries and conditions are if anything worse in intraregional trade.

71. Nevertheless, it is worth emphasizing that some of the more irregular techniques that can be observed in trade finance, such as barter and a prevalence of cash transactions, are not rooted solely in risk but often in Government regulations as well (and in some cases in inter-enterprise arrears).

72. The burden of the resulting transaction costs is unevenly distributed. In fact, in certain sectors, between certain countries and involving certain firms, short-term trade finance is flourishing. Informal enforcement structures "mitigate" the information problems in some countries. Trade in natural resources is sometimes easier to collateralize, and some firms in this sector have built up substantial bank deposits abroad. Large, traditional

enterprises face less constraints when dealing with their banks, and sometimes own foreign subsidiaries. Trading firms, including some of the former monopolies, have the networks and capital that allow them to bypass or intermediate with the financial sector and provide other services (often at a high cost, and leaving the risk with the firm). Small emerging firms in the private sector are often penalized since they face most acutely the information constraint. So are exports of goods with a substantial gestation period (pre-shipment finance), and imports of capital goods (investment finance by banks or suppliers). Trade among countries of former Soviet Union, in particular intra-CIS, is subject to additional risk and uncertainty.

G. CONCLUSIONS

Diagnosis of the problem

73. Thanks to the rapid liberalization of trade in their own countries and to the conclusion of preferential trade agreements with some western market economies, new trading opportunities have been created for exporters in transition economies. These opportunities are set to increase as the agreements of the GATT Uruguay Round are put into effect. So far, some exporters from transition economies have managed to take advantage of these new trading opportunities, have shifted their trade from the old CMEA markets to new western ones and are now competing in these markets on an entirely new basis. However the trade of the transition economies has also seen:

- a decline in the global value of exports;
- a shift in the commodity composition of exports to low-value, raw and semi-processed goods;
- a decline in intraregional trade.

These developments cast serious doubts as to whether the success of some central European and Baltic countries can be sustained, and whether it can be enlarged to include trading firms from the CIS.

74. The trading performance of transition economies reflects different sets of factors at various levels. At the level of the <u>firm</u>, enterprises suffer from low productivity, management and human resource-related problems, obsolete plant and equipment, poor quality products and inadequate marketing and exporting skills. At the <u>national</u> level, enterprises lack: a properly functioning financial sector to facilitate payments, provide loans and trade finance; information services from a trade promotion agency; and in some cases, a suitable legal and regulatory framework that protects property owners and enforces contracts. At the <u>international</u> level, market access conditions continue to affect exporters from the transition economies, and especially those from the CIS. As a result of anti-dumping actions, CIS countries have suffered significant losses in export revenues. In sensitive sectors as well (i.e. agriculture, steel textiles and chemicals), the use of non-tariff and other technical barriers by western Governments also has a negative impact on their export performance.

75. It is hard accurately to measure the salience of these sets of factors. The importance of these trade barriers to exporters in transition economies

clearly depends on both the industry and the country. According to surveys of exporters in the transition economies which were carried out by the UN/ECE and also by the OECD, the supply side problems seem to constitute the main barriers to trade. Nevertheless, the external barriers and market access problems cannot be ignored. Aside from losses in export revenues, the mere existence of these restrictions can have serious trade and investment-deterring effects.

Prerequisites for building successful trade regimes

76. Improvement in the performance of the trade regime is crucially linked to the transition economies' progress in economic and structural reform.

77. There are two basic and related prerequisites for building successful trade regimes. The first prerequisite is the pursuit of macroeconomic stabilization. Only by controlling inflation and reducing public deficits can an environment be created in which market operators have the necessary confidence to invest.

78. The second prerequisite of a successful trade regime is privatization. State-owned enterprises do not have the proper motivation for undertaking trading activities. Private sectors should be promoted, particularly the small- and medium-sized business sector. Moreover, State intervention in foreign trade transactions should be eliminated in those transition economies where state trading and centralized and administration management is still strong.

79. These prerequisites do not imply the withdrawal of the Government and the State from foreign trade activities. Private sectors are still too underdeveloped and vulnerable for Governments to adopt laissez-faire policies. Rather, Governments must adopt a proactive role in creating the right conditions for private companies to develop comparative advantages and compete abroad in export markets. Aside from establishing a suitable regulatory and commercial framework and a financial system that provides loans, export finance and guarantees to exporters, Governments will have to provide direct services to traders to enable them to compete in international markets.

80. Protecting selected companies from international competition as a means of promoting exports should be avoided. The experience of successful State involvement in trade in the economies of East Asia after the Second World War is not easily translatable to the specific situation of transition economies. Government officials would also face major difficulties in selecting these industries to protect, since comparative advantages would have to be identified without accurate statistical information on prices, trade and production.

Objectives and priority policy measures

81. Decisions about trade policy should be predicated on what Governments are seeking to achieve in the trade field. In transition economies, these objectives should include:

- increasing the global value of exports;

- developing a presence on western markets;

- promoting intraregional trade;

- improving the commodity composition of exports.

82. Faced with all the problems they have to deal with and lacking sufficient resources to undertake all the measures they should or could adopt, Governments of the transition economies will have to fix a core set of priorities which should be implemented straightaway, and other measures which could be put into effect later on.

83. For the CIS the main priorities should be:

- the improvement in the payment system: the creation of a multilateral clearing system is urgently needed. The related provisions contained in the CIS agreement of 21 October 1994 should thus be implemented as soon as possible;

- the fostering of trade liberalization by removing trade barriers on mutual and external trade;

- creating trade promotion and trade facilitation institutions;

- introducing modern Customs procedures, facilitation and equipment;

- adopting a common system of standards and certification, based on global standards whenever possible;

- establishing a stable commercial framework with emphasis on legal enforcement and the protection of property rights.

84. Non-CIS States will have different priorities given that they are generally more advanced in economic and trade reform. Their priorities should focus on the following:

- developing and extending intraregional free trade agreements;

- making export-related information more accessible;

- enforcing the newly created legal frameworks for private sector business;

- developing trade finance institutions;

- encouraging export-oriented FDI.

85. Implementing these conditions is essential in preparing the groundwork for the accession of transition economies to the World Trade Organisation.

86. Western market economies have an important role to play in supporting transition economies implement these priority policy measures. In particular, their assistance should focus on:

- removing remaining trade barriers, by in particular improving the transparency in anti-dumping actions and market access conditions for agricultural products from the transition economies;

- concerning the EU, extending preferential trade agreements to other transition economies (i.e. CIS States, Albania and former Yugoslavian Republics);

- assisting transition economies in institution building, particularly focusing on trade and investment promotion and trade facilitation.

Second-stage support measures, infrastructural projects and the role of foreign direct investment

87. Having dealt with the most urgent priorities, the transition economies, with assistance from various international institutions, should try to promote a series of support projects at the enterprise level. These should include:

- measures to build up the response of the enterprise sector to the new trading opportunities;

- organization of economic cooperation between SMEs;

- improving the negotiating skills of commodity exporters;

- increasing the channels for western technical assistance into private sector firms;

88. Feeding into these core priority tasks and second stage micro-level projects should be policies designed to improve the infrastructures for trade, notably telecommunications, transport and energy. To bring these infrastructures up to modern standards will require large sums of capital investment, that Governments - even with the assistance of multilateral lending agencies - will not easily be able to raise. Governments should therefore consider the sale of their utilities to private operators as a means of raising the necessary finance.

89. Foreign direct investment can play a major role in trade particularly in upgrading the exports of transition economies. However, the impact of FDI in transition economies on trade has not been beneficial in all cases. In some transition economies, large western firms, when making substantial investments, have obtained higher protective import tariffs as compensation for the perceived higher risks of doing business in the region. Governments should not encourage these types of investment since they have significant anti-trade effects. Governments might consider refocussing their investment promotion efforts towards the western SME sector. While SMEs are unlikely to bring in as much investment capital as large firms, they are generally more sensitive to the advantages of using low-cost labour for export-oriented production and they are more likely to contribute to the expansion of trade in the transition economies.

Notes

1/ In Hungary, for example in September 1993, the Government established ITO Hungary to support export-oriented production initiatives.

2/ The contribution of FDI to export growth in Hungary may be misleading in that the performance of foreign companies is being compared with that of domestic companies whose exports contracted by almost a third (30 per cent) in 1991, recovered only slightly in 1992 and fell by a further 13 per cent in 1993. Also, foreign companies may have been obliged to export when faced with the unexpected low customer demand for their products due to the recession in Hungary and other countries in the early 1990s. Thus their contribution to exports may therefore be temporary.

3/ Gábor Hunya argues that Hungary's current account deficit has been made worse by the country's success in attracting FDI. "Foreign Direct Investment", The Vienna Institute Monthly Report, 1994/12.

4/ See "Survey on Foreign Direct Investment", EBRD Transition Report, 1994.

5/ There are however some more recent positive signs that suggest that foreign companies' strategies are changing. Small- and medium-sized companies, who tend to be more sensitive to cost factors than large companies and are attracted by cheaper labour in the region, are becoming more active in east Europe in production for export. Foreign investors, too, are beginning to rethink the potential of greenfield investments (greenfield investments have a stronger export potential than acquisitions but have not been the common mode of entry into east European markets) in central and eastern Europe both because the number of attractive privatization targets is declining and because of the cost of restructuring former state-owned enterprises. Implementation of these strategies will contribute more favourably to export growth in the transition economies.

6/ Asea Brown Boveri's strategy in acquiring companies in Poland was primarily to boost its sales in the country by having a local manufacturing presence; but in 1993 over 20 per cent of its production was exported, the equivalent of US$ 55 million, which corresponded to 0.5 per cent of Poland's total exports for that year.

7/ If one looks, for example, at economic development in successful advanced economies, one notes that success has been established on access to western technology allied to the constant upgrading in product and process technology. Japan, for example, began in the 1950s with simple labour-intensive manufactures such as textiles, toys and basic electrical appliances; they moved in the 1960s into the scale-intensive manufacture of non-differentiated products such as heavy chemicals, steel, aluminium, shipbuilding and synthetic fibres; they developed, in the next stage, mass production and export of consumer durables such as motor vehicles and electronic goods (still assembly based activities but grounded on high-tech production techniques and growing technological sophistication). This country is now entering a fourth stage in which

production and exports are highly research based, in accordance with its new role as an emerging technology world leader. At each stage Japan, utilizing international technology, was able to build on its existing comparative advantage. Such a strategy, with some variations, has been important in the successful growth and integration not only of Japan, but other Asian countries like Korea and Singapore, as well. East European countries, while having vastly different endowments, have the technological potential to achieve the same results.

8/ The corresponding figure for Hungary is 10 per cent, but Hungary uses quantitative restrictions more than Poland. When non-tariff barriers are taken into account, the strong connection between a high degree of protection and high levels of FDI is also apparent in Hungary.

9/ In assessing the general economic consequences of protectionism in the car industry, it can be demonstrated that protection of this kind leads to losses in consumer welfare (under the protection of high import tariffs, VW-Skoda increased its prices six times since 1991) and losses in national welfare offset by real gains in national income from having internationally competitive firms active in the country. The key question is whether once trade barriers are removed companies will be able to compete both domestically and internationally.

The trade impact of protectionism on the Czech, Hungarian and Polish car markets can be summarized as follows:

(i) a fall in car imports in each of the three markets;

(ii) a high proportion of domestic sales accounted for by local firms (60 per cent in Hungary; 80 per cent in the Czech Republic and Poland);

(iii) a concentrated domestic production but a steady increase in the share of exports in domestic production;

(iv) a very low share in new registration accounted for by imports from non-EU countries, particularly from Japan;

(v) little displacement from west to east in trade given the rather small size of the total number of cars being produced by foreign-owned companies in the region (400,000 units).

10/ For example, Daewoo from Korea, which set up a plant in Poland to manufacture television sets for western markets had to pay a fine for not filling out a VAT declaration form correctly.

11/ In Poland the companies must record their imports separately at each Customs crossing and are obliged to wait inordinately long periods of time before getting paid.

12/ Some foreign companies complain that even where these incentives exist, the Government is either slow or fails to provide them.

13/ Depending on their state of preparedness, governments may wish to set priorities according to when they will implement these elements. It is logical to assign top priority to facilitation as such services should be firmly established first so that the maximum possible number of potential investors be effectively converted into actual investors. Image building may have to wait until other elements, particularly regarding the legal framework, are in place.

14/ According to the President of Germany's 7,500-member Association of Independent Entrepreneurs, most small- and medium-sized manufacturing companies are now investigating sourcing from central European locations. "Europe: the Move East", Business Week, 7 November 1994.

15/ See J. Williamson "Trade and Payments after Soviet Disintegration", in Williamson, J., (Ed.), Economic Consequences of Soviet Disintegration, Institute for International Economics, Washington DC, 1993, pp. 576 ss.

16/ UNCTAD "Steps to Improve the Payments System for Regional Trade in Goods and Services", summary of paper prepared by Mr. Y. Konstantinov and Mr. M. Serafarov for the Regional Workshop of CIS and Baltic States at the Ministerial Level on the Development of Regional Trade and Enterprise Cooperation and Major Challenges of Increased Participation in International Trade, 9-13 January 1995, Kishinov, Republic of Moldova.